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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
143 FEDERAL OFFICE BUILDING 50 FULTON STREET
SAN FRANCISCO, CALIFORNIA 94102

AGC 00365

IN REPLY REFER TO

84825

MAR 16 1971

Commanding General
Letterman General Hospital
Presidio of San Francisco, California 94129

AGC 00842

Dear Sir

We have completed a review of civilian pay and related matters at Letterman General Hospital, San Francisco, California. This review, completed in January 1971, was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Our review covered (1) Internal Controls, (2) Internal Review, (3) Within-grade Increases, (4) Salary Act of 1970, (5) Coordinated Federal Wage System, and (6) Severance Pay. The primary purpose of the review was to provide information on Defense-wide administration of civilian pay and allowances. Employee accounts were first selected on a statistical sample basis. Errors disclosed in the sample will be combined with those of other installations reviewed and the results considered for a statistical projection for a Defense-wide report. We have not arrived at an error rate for Letterman General Hospital since our sample at any one installation is too small to project. We did, however, expand our review at your installation by selecting additional records on a judgment sample basis.

Our review indicated that the procedures, practices, and internal controls for administering civilian payrolls were generally adequate. We did, however, note a number of minor discrepancies and internal control weaknesses which were discussed with appropriate members at the working level and summarized at an exit conference with members of your staff as well as with members of the Civilian Personnel Office, Presidio of San Francisco on February 4, 1971. Corrective action has been either promised or taken except as noted on items listed below

1. Overpayments were made to 31 nurses when Civilian Payroll computed the Salary Act of 1970 retroactive pay. The overpayments totaled about \$757.

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2. Overpayments were made to 31 nurses because Civilian Payroll did not deduct Civil Service retirement on retroactive pay due under the Salary Act of 1970. The overpayments totaled about \$48.

3. The Civilian Payroll Office has not provided the ADP Master Employee Record File with "date of last grade change" for many employees. This resulted in Data Processing preparing documents monthly for employees not entitled to a within-grade increase.

4. The Civilian Payroll Office has not provided the ADP Master Employee Record File with "leave without pay" data for those employees whose grades have remained the same since January 3, 1970. This data is used by Data Processing in computing the effective date of the within-grade increases. Currently it is necessary to review two or more leave records for employees whose within-grade waiting period involves periods prior to January 3, 1970. Finance and Accounting, and Data Processing officials have agreed to look into this matter further.

5. Data Processing prepared within-grade documents monthly for temporary General Schedule employees even though such employees were not entitled to a within-grade increase.

6. Data Processing was preparing within-grade increase documents but leaving the effective date of the increase and the waiting period ending date blank.

7. Four within-grade increases were granted one pay period late due to errors in computing the waiting period. The underpayments totaled about \$46.

8. The Salary Act of 1970 required adjustments to the salary rates of all General Schedule employees. However, Civilian Personnel has not adjusted the salary rates of nine such employees. The nine employees were changed to a lower grade (Wage Board to General Schedule) on April 12, 1970, and were allowed to retain their higher wage board rate. The Salary Act of 1970 as implemented by section 531.205 of the CSC regulations and as analyzed by FPM letter 531-39, dated April 28, 1970, provided that all general schedule employees on the rolls April 15, 1970, or who had died or

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retired since the effective date of the act would have their annual salary adjusted upward.

We were informed by the Chief Technical Service Branch, Civilian Personnel Office that these employees were not entitled to a salary rate adjustment because of Section II, paragraph 3 of DA Civilian Personnel Circular No. 4, dated April 17, 1970. However, we believe that above paragraph is not applicable, because it applies only to employees receiving saved pay in excess of the maximum rate prior to the effective date of the increase. We were informed by Civilian Personnel officials that after our report is received the question whether these employees are entitled to a pay increase would be submitted through command channels to the Comptroller General for a decision.

As of January 2, 1971, the amount in question totaled about \$3,400.

9. The Internal Review Branch, Comptroller has not reviewed the civilian pay area since 1967 when its review covered the period of July 1, 1965, through December 31, 1966. We were informed that the pay area has not been covered because (1) the auditor's position was vacant for six months prior to March 1969, and (2) the auditor's time has been devoted to reviewing numerous nonappropriated fund activities.

Management has the basic responsibility for establishing and maintaining systems of accounting and internal controls which includes internal review. Internal review provides management with means of more effective control over funds, property and other assets for which the Commander is responsible. Appropriate internal controls, which include internal review, serve to minimize payroll errors.

We believe that Hospital officials should consider strengthening the internal review function in line with the heavy work load assigned to the current staff. This could be done by a redistribution of work load or, if warranted, by obtaining authorization for additional staff.

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We believe the discrepancies and internal controls weaknesses discussed above in items 1 through 9 illustrate the need for closer supervision and continuing review of work performed at the working level.

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We would appreciate being advised of the actions taken or planned on the matters discussed in this report. We wish to acknowledge the cooperation and courtesies extended to our representatives during the review. A copy of this report is being sent to the District Manager, Western District, U.S. Army Audit Agency.

Very truly yours,



A. M. Clavelli
Regional Manager